

**FY 1999-2000  
Budget Detail  
for**

**REGULATORY**

**Consumer and Industry Services  
Michigan Jobs Commission  
Career Development  
Michigan Strategic Fund**

# CONSUMER & INDUSTRY SERVICES

## PUBLIC ACT 122 OF 1999

Analyst: Robert Schneider

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	4,194.9	4,212.9	18.0	0.4
GROSS	\$468,026,300	\$495,233,500	\$27,207,200	5.8
IDG/IDT	4,675,300	4,020,900	(654,400)	(14.0)
ADJUSTED GROSS	\$463,351,000	\$491,212,600	\$27,861,600	6.0
FEDERAL	204,389,500	219,090,000	(14,700,500)	7.2
LOCAL	0	0	0	0.0
PRIVATE	926,700	791,900	(134,800)	(14.5)
OTHER	186,534,800	193,473,200	6,938,400	3.7
GF/GP	\$71,500,000	\$77,857,500	\$6,357,500	8.9

### SB 361

Referred to Appropriations  
2/23/99

Passed Senate  
3/25/99

Passed House  
5/25/99

Conference Approved  
by Senate  
6/10/99

Conference Approved  
by House  
6/10/99

Effective  
7/21/99

## **OVERVIEW - CONSUMER AND INDUSTRY SERVICES**

The Department of Consumer and Industry Services (CIS) acts as the primary regulatory agency within state government, having regulatory and administrative responsibilities in a diverse number of policy areas, including the regulation of specific industries (e.g., public utilities, banking and insurance, liquor, construction), the licensing and regulation of certain occupational groups (e.g., doctors, architects, morticians), the monitoring and licensing of statutorily-regulated facilities (e.g., nursing homes, clinical laboratories), as well as the administration of the state's Unemployment Insurance and Workers' Compensation programs. The Department also administers the state's \$21.5 million Arts and Cultural Grants Program through the Michigan Council for Arts and Cultural Affairs. The chart following this overview reviews how the appropriations are divided across these different program areas.

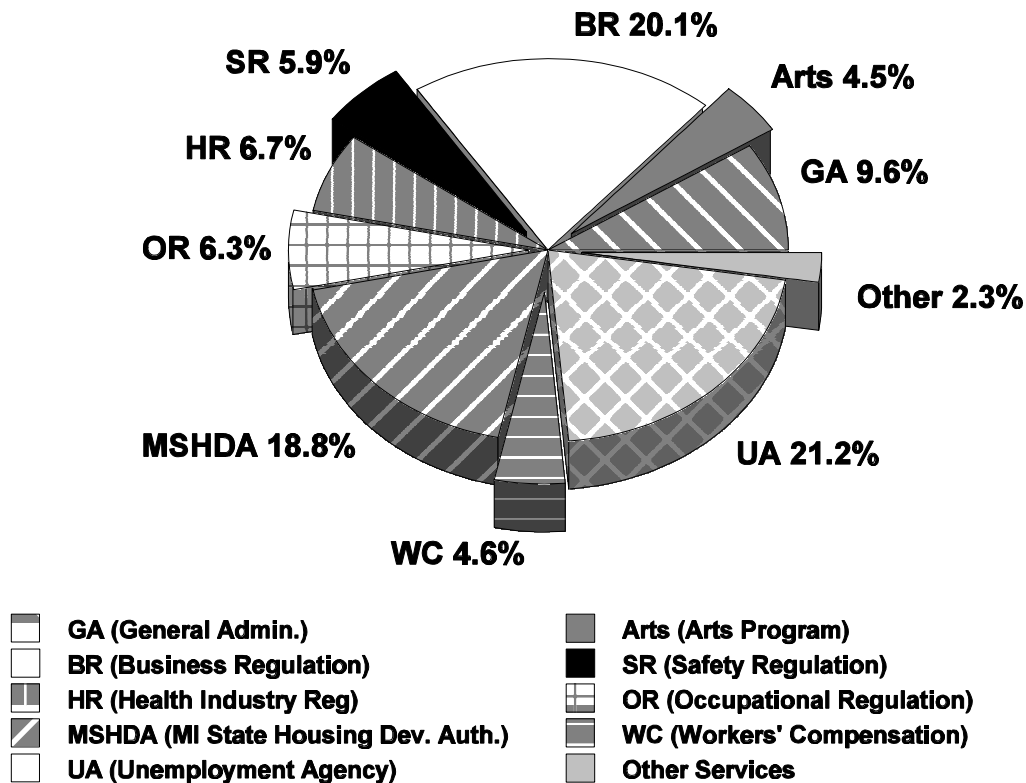
The enacted FY 1999-2000 budget contains a 5.8% increase in gross appropriations for the Department, with GF/GP appropriations increasing by 8.9%. The largest change in the budget involves establishment of a new Nursing Home Quality Incentive Grant Program. The action adds \$10.0 million in federal Medicaid and state GF/GP revenue to the CIS budget for FY 1999-2000. The CIS program would involve disbursing grants to state-licensed nursing homes in an effort to provide financial incentives to encourage high-quality care. A similar program has previously been administered within the Department of Community Health (DCH). Unlike the current DCH program, however, the CIS program would link grant fund usage to the standards utilized by the Department in its licensing and monitoring activities of nursing homes. Also related to nursing homes, the budget includes \$1.6 million in additional funding for 16 new nursing home surveyor/investigator positions. These positions will increase the Department's capacity to conduct annual surveys of nursing homes and to investigate complaints as required by statute. This increase supplements an increase provided in the FY 1998-99 budget which will allow the Department to increase the number of surveyors from 89 in FY 1997-98 to 113 for FY 1999-2000.

The recommendation also includes increases for Fire Safety (\$241,000) and Occupational Safety and Health (\$233,300) programs. The Fire Safety program increases will add staff to conduct architectural reviews and on-site inspections of certain regulated facilities (e.g. schools, hospitals) and will be funded through fire safety fee increases proposed in boilerplate. The Occupational Safety and Health increases would provide two new industrial hygienists for the Safety Education and Training Program as well as additional technology spending.

Appropriations for rent and building occupancy charges would also increase under the Governor's proposal by \$816,800. The increase is primarily attributable to the relocation of Michigan State Housing Development Authority offices. Finally, the act includes a \$4.0 million increase in federal spending authority for the Unemployment Agency in anticipation of additional federal revenue due to the distribution to the states of excess Federal Trust Fund revenues.

The appropriation for Arts and Cultural grants remains at the FY 1998-99 level of \$21.5 million, including \$20.8 million in state GF/GP revenue. In addition, new boilerplate language places limits on the size of grant awards for organizations receiving grants in the Anchor Organization category (made up of the state's largest organizations with broad statewide or regional audiences). The language limits total arts funding to these groups to no more than 19.8% of their operating revenues for FY 1999-2000 and establishes intent that this limit be reduced to 15.0% by FY 2004-05.

## FY 1999-2000 CIS Appropriations by Function



### MAJOR BUDGET CHANGES: FY 1999-2000

#### Budget Issue

##### **1. Nursing Home Quality Incentive Grants**

The act includes \$10.0 million in federal Medicaid and state GF/GP revenue to facilitate a grant program aimed at providing incentives and support to nursing homes to promote performance and quality care. The program replaces a similar program previously funded within the Department of Community Health (DCH) budget. Under the current DCH program, however, grant award criteria are not linked to the criteria used by CIS in its role of monitoring and evaluating nursing homes. Related boilerplate language requires the Department to report to the Legislature on the proposed grant criteria for the awards by October 1, 1999.

#### Change from FY 1998-99

FTEs	0.0
<b>Gross</b>	<b>\$10,000,000</b>
GF/GP	\$4,489,000

**MAJOR BUDGET CHANGES: FY 1999-2000**

**Budget Issue**

**Change from FY 1998-99**

**2.     *Nursing Home Inspectors***

The budget includes an additional \$1.6 million to fund 16 new nursing home inspector positions to monitor the state's nursing homes and investigate complaints. Federal funds will cover 75% of the additional costs (\$1.2 million), while state GF/GP revenue will cover the remainder (\$400,000). Appropriation increases provided by the Legislature within the last two budget cycles will allow the Department to increase its total number of inspectors from 89 in FY 1997-98 to 113 for FY 1999-2000.

FTEs	16.0
<b>Gross</b>	<b>\$1,600,000</b>
GF/GP	\$400,000

**3.     *Increase for Fire Safety Programs***

The enacted budget adds funding for four new positions within the Office of Fire Safety. Two FTE positions will be allocated to architectural plan review activities, while two other FTE positions will be utilized for actual on-site fire safety inspections within the Construction Coordination Program. This represents a 5.8% increase to this program area from its FY 1998-99 appropriation of \$4.1 million. Fire safety fee increases are included in boilerplate to finance the program increase (see Boilerplate Item #1).

FTEs	4.0
<b>Gross</b>	<b>\$241,000</b>
GF/GP	\$0

**4.     *Safety and Regulation Enhancements***

The FY 1999-2000 budget includes additional funding for industrial safety and regulation programs. Of the increase, \$181,200 will be utilized to add two industrial hygienists to the Safety and Education Training (SET) program, which aims to work pro-actively with regulated industries to promote workplace safety. Another \$52,100 in GF/GP will support technology expenditures within the Employment Standards Enforcement Unit. The FY 1998-99 appropriation for Safety and Regulation programs was \$24.4 million.

FTEs	2.0
<b>Gross</b>	<b>\$233,300</b>
GF/GP	\$52,100

**5.     *Rent and Building Occupancy Charges***

The appropriations act includes a 8.0% increase for rent and building occupancy charges. The bulk of the increase is related to the recent relocation of the Michigan State Housing Development Authority (MSHDA).

FTEs	0.0
<b>Gross</b>	<b>\$816,800</b>
GF/GP	\$302,800

**6.     *Elimination of GF/GP Support for Property Development Group***

GF/GP support for the Property Development Group, which administers state laws regarding subdivision control, county rural zoning, and survey/remonumentation activities, is eliminated within the budget. The program will instead be supported by Corporation and Securities fee revenue.

FTEs	0.0
<b>Gross</b>	<b>\$0</b>
GF/GP	(\$557,600)

**7.     *Office of Legal Affairs***

The appropriations act consolidates appropriations for most of the Department's Administrative Law Judges as well as their support staffs into a new "Office of Legal Affairs" line item to facilitate a departmentwide consolidation of these activities into a single office. The move does not affect gross appropriations within the bill.

FTEs	0.0
<b>Gross</b>	<b>\$0</b>
GF/GP	\$0

**MAJOR BUDGET CHANGES: FY 1999-2000**

**Budget Issue**

**Change from FY 1998-99**

**8. Federal Unemployment Insurance Revenue**

The federal Reed Act requires the federal government to refund Unemployment Insurance (UI) funds to the states if the balance in the federal Unemployment Insurance trust fund exceeds a specified cap. This cap will be exceeded and revenues will be returned to the states as a result. This revenue can be used for administration of the state's UI program. A \$4.0 million appropriation increase for the Unemployment Agency will provide the Department with the necessary spending authority to utilize these funds. The funds will be used to administer the agency's transition into the statewide network of One Stop Centers.

FTEs	0.0
<b>Gross</b>	<b>\$4,000,000</b>
GF/GP	\$0

**ECONOMICS: FY 1999-2000**

***Economic Increases***

The enacted budget includes economic increases of \$11.4 million (\$1.8 million GF/GP) to facilitate salary/fringe increases for personnel (including a 3.0% overall increase in salaries for the Department's 64.5 unclassified positions), as well as for anticipated increases in travel, vehicle, worker's compensation, postage, and other general costs.

FTEs	0.0
<b>Gross</b>	<b>\$11,395,700</b>
GF/GP	\$1,758,800

**MAJOR BOILERPLATE CHANGES: FY 1999-2000**

**1. Arts and Cultural Grants**

The budget act includes new language in Sec. 306(11) limiting the amount of grant funding that can be provided to certain arts and cultural organizations through the Michigan Council for Arts and Cultural Affairs (MCACA). Specifically, the language restricts the total grant amount to organizations receiving grants within the Anchor Organization category to no more than 19.8 percent of the organization's operating revenue. The language also establishes legislative intent that this cap be reduced to 15 percent of operating revenue by FY 2004-05. In addition, Sec. 306(1)(a) amends current law by changing the definition of the state arts anchor organization category to include organizations serving a statewide or regional audience. Current law includes only organizations serving a statewide audience.

**2. Nursing Home Quality Incentive Grant Program**

The act includes new Sec. 321 which establishes a new Nursing Home Quality Incentive Grant Program within the Department. The section states the program is to "provide financial incentives for nursing homes to develop high quality care services" and specifies that grants be awarded to homes "that can demonstrate an existing commitment to providing high quality care." The section requires the Department to use some measure of resident satisfaction with the level of care as a criterion for grant awards and requires the Department to report to the appropriations committees by October 1, 1999, regarding the exact criteria to be considered. It also requires the Department to notify nursing home care providers of these criteria and to implement the program by January 1, 2000.

**MAJOR BOILERPLATE CHANGES: FY 1999-2000**

**3. *Increase in Fire Safety Fees***

Current-law language is revised in Sec. 314 of the appropriations act to increase the fees charged to hospitals and schools for fire safety plan reviews and construction inspections administered by the Office of Fire Safety when new construction is undertaken. The fees are authorized by 1941 PA 207 and are assessed according to a schedule based on project cost. The statute allows for fee increases within the appropriations bill. The increases are expected to add approximately \$241,000 in new revenue which will be used to supplement Fire Safety programs (see Budget Item #2 above). Separately, the maximum per bed fee imposed on hospitals for annual operation and maintenance inspections is reduced from \$10 per bed to \$8 per bed. Though current law had allowed a \$10 per bed fee level, the Department had until recently been charging \$5 per bed for each annual inspection. The Department has indicated it will begin assessing the maximum \$8 per bed fee.

**4. *Plan for Providing Rural Emergency Medical Services Personnel***

New Sec. 330 of the act requires the Department to work collaboratively with grantees receiving funds under the "Emergency Medical Services Contracts and Grants" line item to develop a plan to ensure that a sufficient number of qualified emergency medical services personnel exist to serve rural areas of the state. The plan is to be submitted to the appropriations subcommittees by January 15, 2000.

**5. *Nursing Home Surveys and Complaint Investigations***

New language requires the Department to undertake additional reporting on its nursing home survey/inspections and its complaint investigation activities. Sec. 323 requires CIS to submit semi-annual reports to the appropriations subcommittees on the number of nursing home surveys conducted and on the results of those surveys in terms of the number of citations issued and the number requiring follow-up visits or remediation efforts. The language also requires reporting on the number of surveys conducted on nights and weekends and on the average length of time taken to respond to public complaints regarding nursing homes. Sec. 325 requires the Department to report on the nursing home complaint investigation backlog and recommend steps which will improve the effectiveness and efficiency of this process.

**6. *Work-Related Deaths and Injuries***

The enacted budget contains new language which requires the Department to file an annual report with the appropriations subcommittees listing the number of individuals killed or injured on the job within industries regulated by the Bureau of Safety and Regulation.

**VETOES: FY 1999-2000**

None

**REVENUE INCREASES: FY 1999-2000**

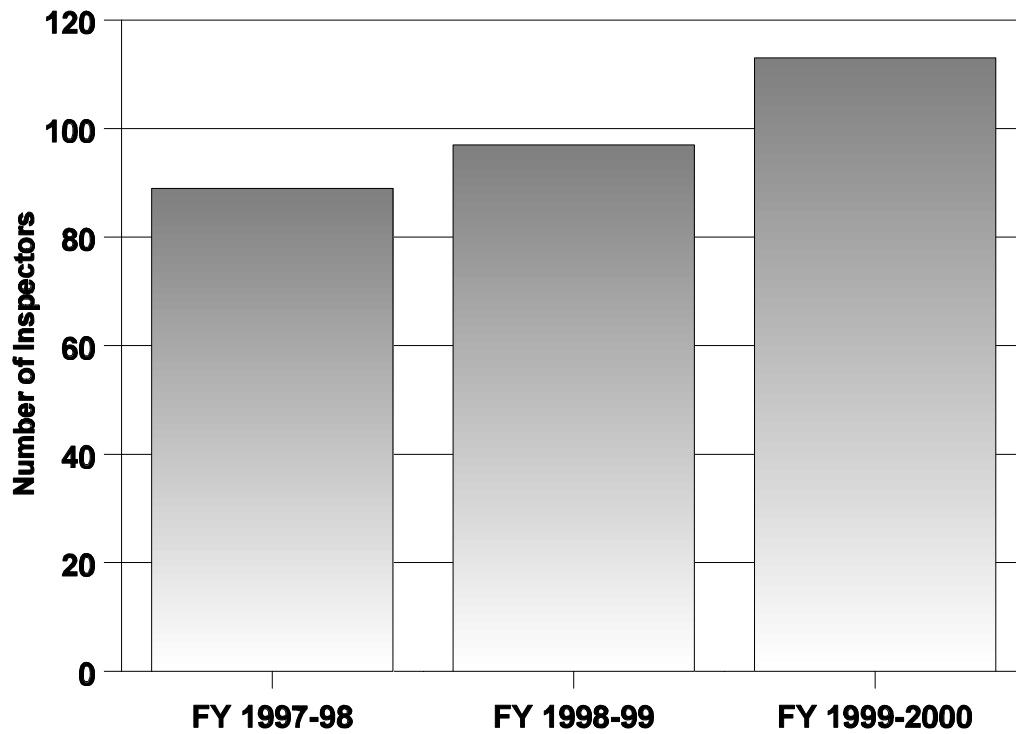
***Fire Safety Fees***

The act includes the appropriation of \$241,000 in additional Fire Safety Fee revenue attributable to the increase in fees imposed on hospitals and schools for construction plan reviews and inspections. Authorizing these fees, 1941 PA 207 allows fee increases to be implemented within the appropriations bill.

**SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**

None

**Growth in Nursing Home Inspector Positions**





# MICHIGAN JOBS COMMISSION

Analyst: Robert Schneider

	ACTUAL FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 APPROPRIATIONS DMB-ADJUSTED FOR EO 1999-1	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM DMB- ADJUSTED FY 1998-99	
				AMOUNT	PERCENT
<b>FTE POSITIONS</b>	1,316.0	0.0	0.0	n/a	
<b>GROSS</b>	\$595,283,400	\$0	\$0	n/a	
<b>IDG/IDT</b>	1,147,000	0	0	n/a	
<b>ADJUSTED GROSS</b>	\$594,136,400	\$0	\$0	n/a	
<b>FEDERAL</b>	465,997,600	0	0	n/a	
<b>LOCAL</b>	10,867,900	0	0	n/a	
<b>PRIVATE</b>	3,252,000	0	0	n/a	
<b>OTHER</b>	4,909,100	0	0	n/a	
<b>GF/GP</b>	\$109,109,800	\$0	\$0	n/a	

## OVERVIEW - MICHIGAN JOBS COMMISSION

Executive Order 1999-1, which became effective on April 5, 1999, reorganized the programs and functions previously administered by the Department of Michigan Jobs Commission (MJC) into the new Department of Career Development (DCD), which will focus on workforce development/job training programs, and the Michigan Strategic Fund Agency (MSF), which will consolidate the state's economic development programs and serve as an autonomous agency within the Department of Management and Budget. The chart below outlines the allocation of the former MJC's Gross and GF/GP appropriations to the two new entities.

While FY 1999-2000 appropriations were split between the two new entities, there were FY 1998-99 appropriations for the MJC within SB 68, which has now been signed by the Governor as 1999 PA 69. In particular, the act contains appropriations to facilitate the construction of new technical training centers around the state (\$30.0 million GF/GP), to replace GF/GP appropriations for Welfare-to-Work programs with federal Temporary Assistance for Needy Families (TANF) funding, and to allow private oil overcharge revenue to be used by the MJC to provide federally-mandated supportive services to Food Stamp recipients participating in employment and training programs.

## SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

### 1. **Technology Training Centers**

Senate Bill 68, signed by the Governor in July as 1999 PA 69, provides for an appropriation of \$30.0 million in GF/GP revenue for the construction of additional technical training centers around the state. The Michigan Strategic Fund earlier this year awarded \$30.0 million in grants for this purpose to eight of the state's community colleges. The centers will focus on delivering technical training for employment within growth industries.

FTEs	0.0
<b>Gross</b>	<b>\$5,000,000</b>
GF/GP	\$5,000,000

### 2. **Funding Shift for Welfare-to-Work Programs**

Provisions in SB 68 transfer all GF/GP support for Welfare-to-Work programs to FIA and replace this funding with Temporary Assistance for Needy Family (TANF) funds. This removes a combined \$29.4 million in GF/GP from the "Employment Training Services" and "Welfare-to-Work Programs" line items. An additional \$20.0 million in TANF funds is transferred to these lines to replace federal Welfare-to-Work grant funds, given the state's decision not to participate in the federal program at this time. Total funding for Welfare-to-Work programs is not affected by the action.

FTEs	0.0
<b>Gross</b>	<b>\$0</b>
GF/GP	(\$29,410,000)

### 3. **Increase for Supportive Services - Employment and Training for Food Stamp Recipients Program**

The federal government requires states receiving funds for this program to provide certain supportive services to participants. Senate Bill 68 adds \$250,000 in private Oil Overcharge revenue to the Welfare-to-Work Programs line item to cover the costs of these supportive services.

FTEs	0.0
<b>Gross</b>	<b>\$250,000</b>
GF/GP	\$0

# CAREER DEVELOPMENT

## PUBLIC ACT 120 OF 1999

Analyst: Robert Schneider

	ACTUAL FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 APPROPRIATIONS DMB-ADJUSTED FOR EO 1999-1	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM DMB- ADJUSTED FY 1998-99	
				AMOUNT	PERCENT
<b>FTE POSITIONS</b>	0.0	1,075.0	1,072.0	3.0	(0.3)
<b>GROSS</b>	\$500,000	\$451,804,300	\$515,904,700	64,100,400	14.2
<b>IDG/IDT</b>	0	1,047,000	1,047,000	0	0.0
<b>ADJUSTED GROSS</b>	\$500,000	\$450,757,300	\$514,857,700	64,100,400	14.2
<b>FEDERAL</b>	0	388,419,600	400,323,300	11,903,700	3.1
<b>LOCAL</b>	0	10,867,900	10,867,900	0	0.0
<b>PRIVATE</b>	0	2,350,800	2,607,000	256,200	10.9
<b>OTHER</b>	0	4,859,100	79,920,300	75,061,200	1,544.8
<b>GF/GP</b>	\$500,000	\$44,259,900	\$21,139,200	(23,120,700)	(52.2)

**SB 79**

Referred to Appropriations  
1/26/99

Passed Senate  
3/25/99

Passed House  
5/26/99

Conference Approved  
by Senate  
6/16/99

Conference Approved  
by House  
6/17/99

Effective  
7/20/99

## OVERVIEW - CAREER DEVELOPMENT

Executive Order 1999-1, which became effective on April 5, 1999, reorganized the programs and functions previously administered by the Department of Michigan Jobs Commission (MJC) into (a) the new Department of Career Development (DCD), which focuses on workforce development/job training programs, and (b) the Michigan Strategic Fund Agency (MSF), which consolidates the state's economic development programs and serves as an autonomous agency within the Department of Management and Budget.

The Department of Career Development essentially obtains the programs previously administered by the MJC's Office of Workforce Development. These include: a) federally-funded employment training programs for displaced workers, adults, and youth; b) the Work First program, which aims to move welfare recipients into the workplace; c) Michigan Rehabilitation Services, which provides employment-related services to disabled individuals and their employers; and d) the Employment Service Agency, which provides job placement, job readiness, and training to individuals looking for work. A large portion of the department's functions involve the state-level administration of various federal programs. As a result, just over 77% of the Department's budget is derived from federal revenue sources.

The FY 1999-2000 budget for the Department of Career Development includes a 14.2% increase in Gross appropriations above the DMB-estimated FY 1998-99 levels adjusted for the executive reorganization. However, GF/GP appropriations take a sharp 52.2% drop below these FY 1998-99 levels.

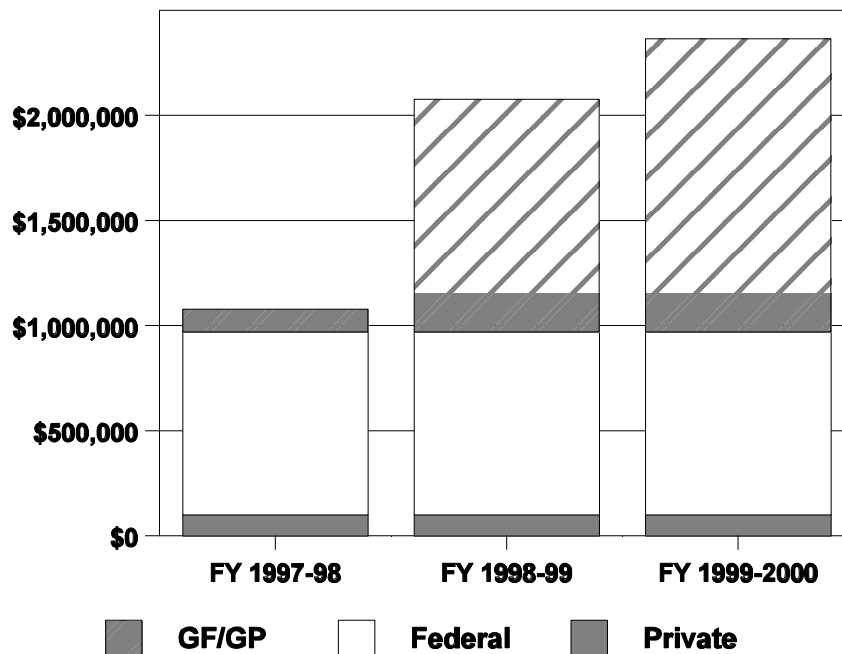
The major change in the FY 1999-2000 budget is the appropriation of \$75.0 million in tobacco settlement revenue for the Michigan Technical Education Center program. Funding for the establishment of eight technical training centers, administered by state community colleges, has already been distributed. This appropriation, along with another \$30.0 million in GF/GP provided in a FY 1998-99 supplemental appropriation to the Michigan Jobs Commission, will allow the state to expand the program.

The Legislature also provided increases in grant funds to the state's Centers for Independent Living and to two state-funded pre-college programs in engineering and the sciences. The state's 12 Centers for Independent Living, which provide assistance to disabled individuals in maintaining an independent lifestyle, will share an additional \$288,000 in funding during FY 1999-2000. As the chart below shows, this program has seen significant increases in state support over the last two budget cycles. During this time, GF/GP appropriations for these grants have increased by 1,300% over FY 1997-98 levels. Grants to the two pre-college programs in engineering and science — one located in Detroit and the other in Grand Rapids — will increase by a combined \$200,000. General Fund/General Purpose grants to the programs have grown by 31 % over FY 1997-98 levels.

The sharp drop in GF/GP appropriations is due primarily to a funding shift for the Welfare-to-Work programs. The GF/GP that had supported these programs was transferred to the Family Independence Agency (FIA) for providing day care support to needy individuals. To replace this GF/GP revenue, an equivalent amount of federal Temporary Assistance for Needy Families (TANF) revenue was transferred from FIA to DCD.

The budget also includes a \$100,000 GF/GP increase for the Michigan Community Service Commission to cover increased administrative costs related to the America's Promise Program and other volunteerism initiatives.

### Appropriations for Centers for Independent Living



### MAJOR BUDGET CHANGES: FY 1999-2000

#### Budget Issue

#### Change from FY 1998-99

#### **1. Michigan Technical Education Centers**

The act includes an appropriation of \$75.0 million in tobacco settlement revenue for establishment of Michigan Technical Education Centers around the state. The Legislature also approved an additional \$30.0 million FY 1998-99 supplemental appropriation for this purpose financed through GF/GP revenue. Both of these appropriations are in addition to the \$30.0 million in federal and Indian gaming revenue already committed during the current fiscal year for the construction of eight centers around the state.

FTEs	0.0
<b>Gross</b>	<b>\$75,000,000</b>
GF/GP	\$0

#### **2. Centers for Independent Living**

Appropriations for grants to the state's ten non-profit Centers for Independent Living, as well as to two new developing centers, are increased by 13.9% from the FY 1998-99 appropriation of just under \$2.1 million. However, this increase is contingent upon the submission and approval of a joint report on the centers' activities as outlined in the "Major Boilerplate Changes" section below (see Item #3). The centers assist disabled individuals in functioning independently in society by teaching them skills useful both at home and in the workplace. The increase represents the second consecutive GF/GP funding increase provided by the Legislature for the centers. As shown in the chart at the beginning of this analysis, GF/GP revenue will make up 59% of the total appropriation for FY 1999-2000, up from 10% in FY 1997-98.

FTEs	0.0
<b>Gross</b>	<b>\$288,000</b>
GF/GP	\$288,000

**MAJOR BUDGET CHANGES: FY 1999-2000****Budget Issue****Change from FY 1998-99****3. Pre-College Programs in Engineering and the Sciences**

The enacted budget contains a 23.7% increase for Pre-college Programs in Engineering and the Sciences. The state currently provides grants to two such programs located in Detroit and Grand Rapids. Boilerplate provisions allocate the increase to the two entities in proportion to FY 1998-99 grant funding levels, thus each entity receives roughly the same 23% increase in overall funding. For FY 1999-2000, the Detroit program will receive a state grant of \$620,000, while the Grand Rapids program will receive \$424,700.

FTEs	0.0
<b>Gross</b>	<b>\$200,000</b>
GF/GP	\$200,000

**4. Funding Shift for Welfare-to-Work Programs**

The budget act transfers all GF/GP support for Welfare-to-Work programs to the Family Independence Agency and replaces this funding with federal Temporary Assistance for Needy Family (TANF) funds. This removes a combined \$29.4 million in GF/GP from the "Employment Training Services" and "Welfare-to-Work Programs" line items. An additional \$20.0 million in TANF funds is transferred to these lines to replace federal Welfare-to-Work grant funds, given the state's decision not to participate in the federal Welfare-to-Work program at this time. Total funding for Welfare-to-Work programs is not affected by the action.

FTEs	0.0
<b>Gross</b>	<b>\$0</b>
GF/GP	(\$29,410,000)

**5. Focus:HOPE**

Statewide appropriations for Focus:HOPE, a Detroit-area, non-profit organization offering various job and skills training programs, are consolidated into the DCD budget from the Department of Education and Higher Education budgets. The FY 1998-99 Higher Education budget contained an appropriation of \$4.1 million to support the organization's Center for Advanced Technologies, while \$300,000 was appropriated in the FY 1998-99 Department of Education budget to assist the Fast Track program. The remaining appropriation represents increased funding to the organization.

FTEs	0.0
<b>Gross</b>	<b>\$5,494,000</b>
GF/GP	\$5,494,000

**6. Increase for Supportive Services - Employment and Training for Food Stamp Recipients Program**

The federal government requires states receiving funds for this program to provide certain supportive services to participants. The appropriations act adds \$250,000 in private Oil Overcharge revenue to the "Welfare-to-Work Programs" line item to cover the costs of these supportive services.

FTEs	0.0
<b>Gross</b>	<b>\$250,000</b>
GF/GP	\$0

**7. Federal School-to-Work Grant**

The budget begins phasing out authorizations for the federal School-to-Work (STW) grant. Nearly \$8.0 million in federal spending authority is removed from the "School-to-Work Subgrantees" line item. FY 1998-99 is the last full year of the federal grant. Michigan has received a six-month extension of the grant into FY 1999-2000.

FTEs	0.0
<b>Gross</b>	<b>(\$8,083,300)</b>
GF/GP	(\$100,000)

In addition, the act does not include \$100,000 in GF/GP appropriated for STW programs in FY 1998-99.

**MAJOR BUDGET CHANGES: FY 1999-2000****Budget Issue****Change from FY 1998-99****8. Michigan Community Service Commission**

The budget includes an additional \$100,000 in GF/GP to support administration of the Michigan Community Service Commission's volunteerism programs. In particular, the funding will assist the Commission in financing the America's Promise Program.

FTEs 0.0

**Gross \$100,000**

GF/GP \$100,000

**ECONOMICS: FY 1999-2000*****Economic Increases***

The appropriations in the act include economic increases of \$1.9 million (\$295,000 GF/GP) to facilitate salary/fringe increases for personnel (including a 3.0% overall increase in salaries for the Department's 6.0 unclassified positions), as well as for anticipated increases in travel, vehicle, worker's compensation, postage, and other general costs.

FTEs 0.0

**Gross \$1,910,200**

GF/GP \$295,000

**MAJOR BOILERPLATE CHANGES: FY 1999-2000****1. Appropriation of Interest on Tobacco Settlement Earnings for Youth and Senior Health Programs**

The interest earnings on tobacco settlement revenue not deposited into the Michigan Merit Award Trust Fund are appropriated to the Department and are to be distributed to the Council of Michigan Foundations, a non-profit organization representing community foundations throughout the state. Boilerplate language provides that this funding is to be distributed by the Council to support local community efforts to address youth and senior health needs. The House Fiscal Agency estimates that the interest earnings on the tobacco settlement revenue could generate up to \$15 million for FY 1999-2000 for this purpose.

**2. Work First and Enhanced Technical Vocational Training Program Data and Reporting**

New boilerplate language in Sec. 317 requires the Department to begin collecting data on outcomes for participants in the Work First and Enhanced Technical Vocational Training (ETVT) Program. The Department is to collect data on participants' employment status, wages, and benefits at intervals of 30 days, one year, and three years from their completion of the program. The language also requires the Department to submit a report to the relevant appropriations subcommittees using the data collected.

**3. Report on Centers for Independent Living**

The \$288,000 increase provided to the state's Centers for Independent Living is made contingent in boilerplate upon the submission and legislative approval of a joint report to be completed by the Michigan Association of Centers for Independent Living (MACIL), the Statewide Independent Living Council, and the Michigan Rehabilitation Services unit within the DCD. This report is to include detailed spending plans for the additional funding, anticipated results of the increased funds, budgetary information from each center, and anticipated taxpayer savings that would directly result from the increased expenditures. Additional language requires the Department to work collaboratively with MACIL and the local workforce development boards to identify other competitive sources of funding for the centers.

**MAJOR BOILERPLATE CHANGES: FY 1999-2000**

**4. Post-Employment Training and Education Support for Work First Participants**

The appropriations act includes new language requiring the Department and the Family Independence Agency to develop clear joint guidelines governing the eligibility of participants for post-employment training and for applying education/training hours towards federal work requirements. Additional language specifies that participants may apply up to ten hours of classroom seat time per week towards work participation requirements, as well as one additional hour of study time for each hour of classroom seat time. This education/training time must be accompanied by at least ten hours per week of work. The language also requires the combined number of education/training and work hours to meet the minimum number of hours needed to the federal work participation guidelines for the participant.

**5. Eligibility for Work First Program**

The budget revises certain provisions of boilerplate regarding eligibility for the Work First program. In particular, the new provisions expand eligibility for Work First employment and training services to former Family Independence Program (FIP) recipients and recipients of non-cash public assistance such as Medicaid or Food Stamps. Previously, boilerplate specified that the program was to provide services only to current FIP recipients.

**6. Pre-College Programs in Engineering and the Sciences**

New boilerplate language in Sec. 304 requires the Department to submit a report to the appropriations subcommittees evaluating the effectiveness of the existing pre-college programs in engineering and the sciences funded through the Department and to make recommendations on whether state support to expand such programs to other areas of the state is warranted in the future.

**7. Local Contingency Fund Increase**

The enacted budget increases the Department's local contingency fund appropriation to \$8,000,000 for FY 1999-2000. The increase was implemented to ensure that the Department would have adequate contingency funds to use to finance Employment Service Agency (ESA) contracts awarded to former ESA workers who have placed bids to continue providing services. These funds would not be available for actual expenditures until the House and Senate Appropriations Committees formally approve legislative transfers from this source.

**VETOES: FY 1999-2000**

None

**REVENUE INCREASES: FY 1999-2000**

None

**SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**

**Focus:HOPE**

HB 4075, signed by into law by the Governor as 1999 PA 137, provides a \$500,000 supplemental FY 1998-99 appropriation for Focus:HOPE, a Detroit-area, non-profit organization offering various job and skills training programs. FY 1999-2000 appropriations for this organization are also consolidated into the DCD budget from the Department of Education and Higher Education budgets.

FTEs	0.0
<b>Gross</b>	<b>\$500,000</b>
GF/GP	\$500,000



# MICHIGAN STRATEGIC FUND

## PUBLIC ACT 120 OF 1999

Analyst: Robert Schneider

	ACTUAL FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 APPROPRIATIONS DMB-ADJUSTED FOR EO 1999-1	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM DMB- ADJUSTED FY 1998-99	
				AMOUNT	PERCENT
<b>FTE POSITIONS</b>	0.0	241.0	241.0	0.0	0.0
<b>GROSS</b>	\$0	\$113,229,100	\$168,917,100	55,688,000	49.2
<b>IDG/IDT</b>	0	100,000	100,000	0	0.0
<b>ADJUSTED GROSS</b>	\$0	\$113,129,100	\$168,817,100	55,688,000	49.2
<b>FEDERAL</b>	0	48,168,000	53,203,200	5,035,200	10.5
<b>LOCAL</b>	0	0	0	0	0.0
<b>PRIVATE</b>	0	651,200	656,700	5,500	0.8
<b>OTHER</b>	0	50,000	50,050,000	50,000,000	100,000.0
<b>GF/GP</b>	\$0	\$64,259,900	\$64,907,200	647,300	1.0

### SB 79

Referred to Appropriations  
1/26/99

Passed Senate  
3/25/99

Passed House  
5/26/99

Conference Approved  
by Senate  
6/16/99

Conference Approved  
by House  
6/17/99

Effective  
7/20/99

## **OVERVIEW - MICHIGAN STRATEGIC FUND**

Executive Order 1999-1, which became effective on April 5, 1999, reorganized the programs and functions previously administered by the Department of Michigan Jobs Commission into the new Department of Career Development, which will focus on workforce development/job training programs, and the Michigan Strategic Fund Agency (MSF), which will consolidate the state's economic development programs and serve as an autonomous agency within the Department of Management and Budget.

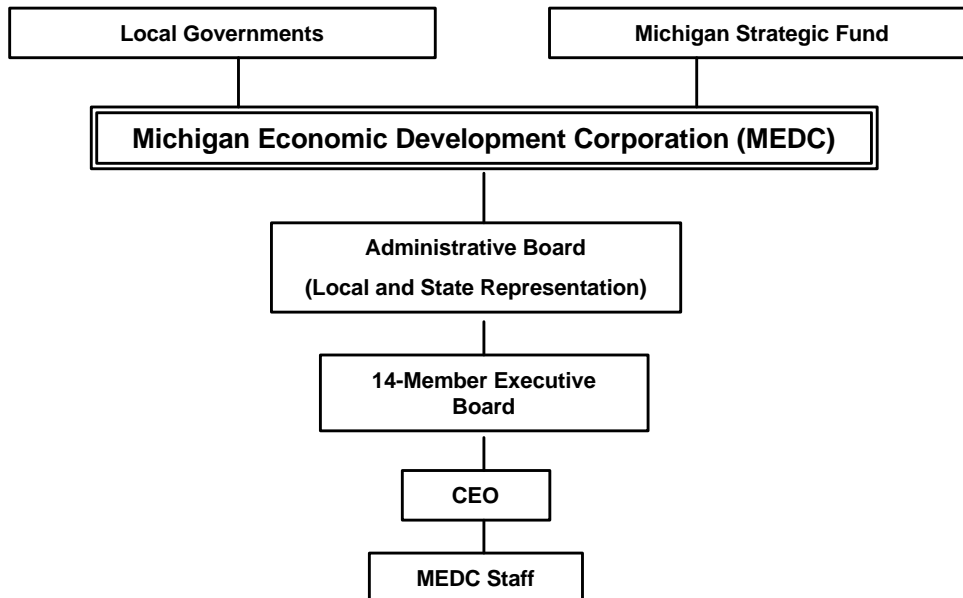
As provided in E.O. 1999-1, the MSF has since entered into interlocal agreements with a number of local units of government to form the new Michigan Economic Development Corporation (MEDC), which will administer the bulk of the state's economic development programs in partnership with these local units of government. Michigan Strategic Fund appropriations and personnel will be transferred to the new corporation. The chart below outlines the organizational structure of the new MEDC. The corporation is governed by a 13-member Executive Board. A larger Administrative Board, which includes members representing state government and each of the participating local units of government, serves an advisory and oversight role. Michigan Economic Development Corporation staff consist of both state employees detailed from the MSF (who retain their state civil service status) and new non-civil service employees hired directly by the MEDC.

The FY 1999-2000 budget for the Michigan Strategic Fund Agency provides for a 68.5% increase in gross appropriations and a 1.0% increase in GF/GP appropriations over FY 1998-99 levels as adjusted for the executive reorganization by the Department of Management and Budget.

The most significant new element of the budget is the appropriation of \$50 million in tobacco settlement revenue for a new Health and Aging Research and Development Initiative. The initiative aims to promote research and development related to health and aging with the goal of commercializing new technologies and discoveries resulting from the research, thereby creating new economic development and industries in the state. The appropriation will be disseminated as grants to Michigan universities and collaborating private research facilities. Related boilerplate language sets up a Health and Aging Steering Committee, which is to consist of representatives of state government, Michigan universities, and the private sector, to oversee the initiative and make grant distribution decisions.

The enacted budget also includes increases for Economic Development Job Training grants (\$1.0 million GF/GP) and the Community Development Block Grant program (\$5.0 million in federal funds).

**STRUCTURE OF THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**



**MAJOR BUDGET CHANGES: FY 1999-2000**

**Budget Issue**

**Change from FY 1998-99**

**1. Health and Aging Research and Development Initiative**

The Legislature approved an appropriation of \$50.0 million of tobacco settlement revenue for the Health and Aging Research and Development Initiative, which aims to generate collaborative research and development in the life sciences involving Michigan universities and private research facilities. Related boilerplate sets up a Health and Aging Steering Committee to oversee the initiative and make grant decisions. Grants will be awarded for basic research, collaborative research, and the commercialization of new discoveries and technologies developed through this research.

FTEs	0.0
<b>Gross</b>	<b>\$50,000,000</b>
GF/GP	\$0

**2. Economic Development Job Training Grants**

The enacted budget contains an increase of \$1.0 million for Economic Development Job Training Grants awarded to eligible job training providers on a competitive basis to assist employers in training current and potential new employees. The FY 1998-99 appropriation for the grants was \$30 million.

FTEs	0.0
<b>Gross</b>	<b>\$1,000,000</b>
GF/GP	\$1,000,000

**3. Federal Community Development Block Grant (CDBG) Funding**

The appropriations act includes a \$5.0 million increase in federal spending authority for the CDBG program to be administered by the MSF. The increase is necessary to adjust for anticipated increases in federal funding levels to the state.

FTEs	0.0
<b>Gross</b>	<b>\$5,000,000</b>
GF/GP	\$0

**MAJOR BUDGET CHANGES: FY 1999-2000****Budget Issue****Change from FY 1998-99****4. *Transfer of Grant for the Michigan Civilian Conservation Corps to the DNR***

The Legislature eliminates a \$1.0 million appropriation in the FY 1998-99 appropriations act targeted to support operations and recruitment activities of the Michigan Civilian Conservation Corps, which provides job skills and paid work experience to unemployed residents aged 18 to 25. Instead, this GF/GP support for the program is included directly in the Department of Natural Resources (DNR) budget.

FTEs	0.0
<b>Gross</b>	<b>(\$1,000,000)</b>
GF/GP	(\$1,000,000)

**ECONOMICS: FY 1999-2000*****Economic Increases***

The Executive Budget includes economic increases of \$688,000 (\$647,300 GF/GP) to facilitate salary/fringe increases for personnel, as well as for anticipated increases in travel, vehicle, worker's compensation, postage, and other general costs.

FTEs	0.0
<b>Gross</b>	<b>\$688,000</b>
GF/GP	\$647,300

**MAJOR BOILERPLATE CHANGES: FY 1999-2000****1. *Health and Aging Research and Development Initiative***

The budget includes new boilerplate providing for the \$50 million appropriation of tobacco settlement revenue for the Health and Aging Research and Development Initiative. The language states that the program is to "support basic and applied research in health-related areas, with emphasis on aging issues." The boilerplate provisions also set up a Health and Aging Steering Committee to oversee the initiative and to make decisions on the distribution of grant revenues.

The language earmarks 40% of the appropriation to a basic research fund to be distributed on a competitive basis to Michigan universities. Another 50% is allocated to a collaborative research fund to support peer-reviewed collaborative grants among Michigan universities and/or private research facilities to test and develop emerging discoveries. Up to 10% of the appropriation is allocated to a commercial development fund to support commercialization opportunities for life science research. State funds are to be matched by other private, university, or federal funds. Finally, the language provides that up to 1% of the appropriation may be used to cover administrative costs.

**2. *Reporting on MEDC Programs and Spending***

The MSF and the MEDC are required in Sec. 413 of the act to submit an annual report to the appropriations committees concerning the activities of their various programs. The report is to include details on actual spending and FTE positions used within each program area. In addition, a separate provision requires the MSF and MEDC to report on all grants disseminated by the agencies.

**3. *EDJT Grants for the Development of Distance Learning Training***

Sec. 401(6) of the enacted budget bill contains new language which allows any amount (up to \$6.0 million) of the appropriation for Economic Development Job Training (EDJT) grants that is used to develop Internet-based or other distance learning training to be exempt from a boilerplate requirement that 70% of grant funds be distributed to community colleges or a consortium which includes a community college.

**MAJOR BOILERPLATE CHANGES: FY 1999-2000****4. Restrictions on Land Purchases and Land Option Purchases**

Boilerplate provisions prohibit the MSF and the MEDC from purchasing land or options on land unless either (a) the land is in an “economically distressed area” or (b) the purchase is at the invitation of the local unit of government and local economic development agency. In addition, the language establishes legislative intent that consideration be given to purchases where the proposed use of the land is consistent with a regional land use plan, will result in the redevelopment of an economically distressed area, can be supported by existing infrastructure, and will not cause population shifts.

**5. Revenue from “Michigan. Great Lakes. Great Times.” Slogan and Logo**

New boilerplate in the Governor’s recommended budget would allow the MSF to receive and expend any private revenue related to the use of the “Michigan. Great Lakes. Great Times” slogan and logo. The revenue would come from contracts with private vendors who sell merchandise bearing the slogan and/or logo. The revenue is earmarked within the boilerplate section for the marketing of the state as a travel destination.

**6. Michigan Promotion Program Funding**

Sec. 411 of the enacted budget bill earmarks \$200,000 of the FY 1999-2000 appropriation for the Michigan Promotion Program, which aims to promote tourism opportunities in Michigan, to the Northeast region of the state and requires the MSF to work collaboratively with the Sunrise Side organization on determining the distribution of this funding.

In addition, the boilerplate requires that at least 25% of Michigan Promotion Program funds be used to promote cultural tourism opportunities in Michigan.

**7. Development Finance Agency Grant and Loan Program**

The appropriations act contains new language requiring the agency to submit a report to the appropriations subcommittees on the status of the Development Finance Grant and Loan Program, including information on the remaining balance in the related revolving fund and a proposal on whether to continue with the program or use available funding in another manner.

**VETOES: FY 1999-2000**

None

**REVENUE INCREASES: FY 1999-2000**

None

**SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**

None